

SENATE BILL 278
By McLeary

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 4, Part 20, relative to excise taxes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2009, is amended by adding
the following new subdivision thereto:

(10)

(A) There shall be allowed during any tax period as a credit against the sum total of taxes imposed by this part an amount equal to ten percent (10%) of qualified research expenses incurred from direct investments in qualified research which is conducted in this state.

(B) For purposes of this section, the following definitions shall apply:

(i) "In-house research expenses" means any wages paid or incurred to an employee for qualified services performed by such employee and any amount paid or incurred for supplies used in the conduct of qualified research.

(ii) "Qualified research" means research performed in Tennessee which is undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved business component. Qualified research shall not include research after commercial production, duplication of existing business components, surveys, studies, computer software, social sciences, or federally or state funded research.

(iii) "Qualified research expenses" means any in-house research expenses paid or incurred by the taxpayer during any tax period in carrying on any qualified research.

(iv) "Qualified services" means services consisting of engaging in qualified research or engaging in the direct supervision or direct support of research activities which constitute qualified research.

(v) "Supplies" means any tangible personal property other than property of a character subject to the allowance for depreciation.

(vi) "Wages" has the meaning as defined in Internal Revenue Code Section 3401(a).

(C) The credit taken on any return shall be after all other credits allowed under §§ 67-4-2009 and 67-4-2109.

(D) Any unused credit may be carried forward in any tax period until such credit is taken; however, such credit may not be carried forward for more than fifteen (15) years.

SECTION 2. The commissioner of revenue is hereby authorized to promulgate rules and regulations pursuant to title 4, chapter 5, to implement the provisions of this act.

SECTION 3. The provisions of this act shall only apply to investments in qualified research that are made after the effective date of this act.

SECTION 4. For the purpose of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes this act shall take effect January 1, 2006, the public welfare requiring it and shall apply to tax periods beginning on or after January 1, 2006.